

## ***NEWS RELEASE***

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### **DeNUCCI SAYS BIG DIG CONTINGENCY BUDGET IS INFLATED BY \$86 MILLION**

State Auditor Joe DeNucci said today that the Central Artery Project has overbudgeted a contingency fund for the settlement of contractor claims by \$86 million.

DeNucci, in his 16<sup>th</sup> interim audit of the Big Dig, said reducing the contingency fund by this amount would save \$88 million in future borrowing costs.

The Big Dig's current \$14.625 billion cost estimate includes a management contingency budget of nearly \$500 million for the payment of unforeseen costs. Almost half of this contingency budget is earmarked for the settlement of contractor claims.

DeNucci's audit based its finding on an analysis of \$2.9 billion in past contractor claims. According to the analysis, the Big Dig settled these claims for a total of \$1.4 billion, or 49.4 percent of the amounts sought by the contractors. Based on this historical settlement rate and additional amounts budgeted for cost increases – which include funds that are already available in the project's construction budget for settlement of contractor claims – DeNucci concluded that \$86 million of the Big Dig's contingency budget is unnecessary.

In response, Big Dig officials said they would take DeNucci's recommendations into consideration when they do their next project cost update. Project officials also noted that when and if additional financing is needed to cover contingency costs, they intend to use funding sources other than state bond offerings, such as the sale of air rights or land development.

Even if that were the case, DeNucci replied, the proceeds from the sale of air rights or land development could be used to pay down the Big Dig's existing bond debt or to pay for other project costs. Either way, DeNucci said, the project could save \$88 million in borrowing costs.

"I am satisfied that my findings will be considered by the Big Dig in its next cost update," DeNucci concluded. "I will continue to monitor the project's budget and financing plan to ensure that it's reasonable and adequate."